

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-

A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

WITH

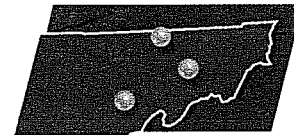
INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2008

WASHINGTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	10
Notes to the Financial Statements	12
Supplementary Information	
Schedule of Expenditures of State Awards	19
Budgetary Comparison Schedule	20
Schedule of Information Required by State	21
Roster of Board Members and Management	22
Schedule of Funding Progress (Unaudited)	23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Washington County Emergency
Communications District
P. O. Box 448
Johnson City, Tennessee 37605

We have audited the accompanying financial statements of the Washington County Emergency Communications District, a component unit of Washington County, Tennessee, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Washington County Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington County Emergency Communications District, a component unit of Washington County, Tennessee as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2008 on our consideration of the Washington County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 - 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Washington County Emergency Communications District, a component unit of Washington County, Tennessee's financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements of Washington County Emergency Communications District, a component unit of Washington County, Tennessee. The Schedule of Expenditures of State Awards, Budgetary Comparison Schedule, Schedule of Information Required by State and Roster of Board Members and Management have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole. The Schedule of Funding Progress has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Blackburn, Childers and Steagall, PLC
BLACKBURN, CHILDERS AND STEAGALL, PLC

November 6, 2008



**WASHINGTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

401 ASHE STREET • P.O. BOX 448
JOHNSON CITY, TENNESSEE 37605
423/928-9111 • FAX 423/979-2324

Management's Discussion and Analysis

As financial management of the Washington County Emergency Communications District ("the District"), a component unit of Washington County, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. This discussion and analysis are designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

Operating income for the Emergency Communications District was \$1,627,681 for fiscal year 2008. This was an increase of 6.53 % from the previous year. The District's current 9-1-1 surcharge rate for wireline customers is \$1.50 for residential and \$3.00 business. The State's current wireless 9-1-1 surcharge rate is \$1.00 per access number and is collected and remitted to the District by the State Emergency Communications Board based on 25% of the revenue generated by such a charge to each Communications District based on the proportion of the population of each District to that of the State using the most current federal census. The term "net assets" refer to the difference between assets and liabilities. At the close of the fiscal year 2008, the District had net assets of \$1,674,942 an increase of 15.1 % over the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's financial statements, which consists of the basic financial statements and the notes to the financial statements. The District is a separate government entity, which was established by referendum. The City of Johnson City Commission and Washington County Commission contracts with the District as the single Communications Center for both Johnson City and Washington County. The District's basic financial statement includes Operating and Non Operating revenue. Operating revenue monies are 9-1-1 surcharges collected by the District's teleco, Embarq and CLECs (Competitive Local Exchange Carriers). Non-operating revenue monies are appropriated by City of Johnson City and Washington County for dispatching services and police information services. The District also received Non-operating revenue from alarm vendors for monitoring services; monies from other agencies and the public for services provided and interest revenue from financial institutions. This report also contains other supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

Basic financial statements: The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in

net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicates an improved financial position.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements: The notes provide additional information that is essential to fully understanding of the data provided in the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$1,674,942 at the close of June 30, 2008. This represents an increase of 15.1% the previous year. The unrestricted net assets were \$1,178,464.

Total assets at year end are \$1,805,135 which includes \$1,308,657 of current assets and \$496,478 capital assets. Total assets increased 14.93% from previous year.

Total program revenue for the year was \$2,762,734 compared to \$2,734,638 in the previous year, an increase of 1.02%. Program revenues include charges for audio tapes and alarm revenue, contributions and state reimbursements. General revenues for the year were \$26,889 compared to \$20,699 in the previous year, an increase of \$6,190. Total revenue was \$2,789,623 compared to \$2,755,337 in 2007 an increase of 1.24%.

Total program expenses including salaries, benefits, contracted services, supplies and other were \$2,443,899 for the year compared to \$2,297,281 in the previous year for an increase of 6.38%.

Total expenses for the year \$2,569,492 compared to \$2,418,231 in the previous year, an increase of 6.25%.

The District's net assets reflect its investment in Money Market Account and Certificates of Deposits. These are in various local financial institutions all of which are members of the Tennessee State Collateral Pool. The majority of these funds invested in certificates of deposits are expected to be used to purchase capital assets over the next five years. This plan includes a major upgrade to the District's radio communications equipment due to the current system's age and availability of radio equipment parts. The plan also includes auditors' recommendation of funds and software upgrades. This cost is still undetermined and the capital and operating costs are not yet known.

SIGNIFICANT EVENTS:

During the year ending June 30, 2008 the District repaired and replace the urethane foam roof at the Communications Center. The District purchased Medical Priority ProQA dispatch software. This will assist medical dispatcher in obtaining the correct information needed to determine the type of medical call and dispatching protocol. The District established an employee retiree health insurance plan. This plan will provide retirement health insurance options. The District also requested the State Emergency Communications Board to increase the District's wireline rates from \$1.10 for residential to \$1.50 and \$2.45 for business to \$3.00. This was needed due to the decline of the wireline revenues.

CASH FLOW:

Net cash used for operating activities increased \$112,075 due to salary and related benefits. Net cash used by capital and related financing activities increased by \$13,207. Interest income increased by \$4,826 and is reflected in the cash flow investment activities.

BUDGETING HIGHLIGHTS

The original 2007-2008 budget approved in October 2007 and was amended in June 2008. The original and final budgets are presented as separate columns in the required supplementary information. The under budget items resulted from employee hiring and turn over and changes to maintenance agreements.

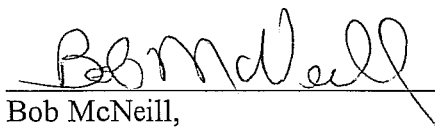
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets amounts to \$496,478, net of accumulated depreciation as of June 30, 2008, a increase of \$60,297. Capital assets primarily include improvements to building and additional hardware and software upgrades to enhance the District's Communications Center.

Long Term Debt: The District has no long term debt as of June 30, 2008.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director, Washington County Emergency Communications District, P.O. Box 448, Johnson City, Tennessee 37605.



Bob McNeill,
Director

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 866,553
Certificate of Deposit: Long - Term	300,000
Accounts Receivable	117,942
Prepaid Expense	<u>24,162</u>

Total Current Assets	1,308,657
----------------------	-----------

CAPITAL ASSETS

Building Improvements	498,231
Vehicles	41,962
Communication and Office Equipment	945,742
Furniture and Fixtures	56,468
Less: Accumulated Depreciation	<u>(1,045,925)</u>

Total Capital Assets	<u>496,478</u>
----------------------	----------------

TOTAL ASSETS	<u>1,805,135</u>
--------------	------------------

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	100
Payroll Deduction Payable	25,964
Accrued Payroll	54,874
Compensated Absences Payable	<u>49,255</u>

TOTAL CURRENT LIABILITIES	<u>130,193</u>
---------------------------	----------------

NET ASSETS

Invested in Capital Assets	496,478
Unrestricted Net Assets	<u>1,178,464</u>

TOTAL NET ASSETS	<u><u>\$1,674,942</u></u>
------------------	---------------------------

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY EMERGENCY COMMUNICATION DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

OPERATING REVENUE

Emergency Telephone Service Charge	\$ 1,130,830	
State - Shared Wireless Charge	243,814	
State - Operational Funding	234,922	
Other Operating Revenues		
Tape Revenue	3,060	
Alarm Revenue	13,325	
Other	<u>1,730</u>	
Total Operating Revenues		<u>1,627,681</u>

OPERATING EXPENSES

Salaries and Wages		
Director	69,263	
Administrative Personnel	128,286	
Dispatchers	704,793	
Telecommunicators	40,397	
GIS Coordinator	20,463	
Part-time Personnel	35,043	
Supervisors	176,653	
Assistant Director	60,427	
Overtime Pay	70,936	
Pay Bonuses	20,790	
Holiday Pay	46,944	
Vacation and Sick Pay	118,755	
Compensatory Time Pay	13,830	
Miscellaneous Pay	<u>8,729</u>	
		1,515,309
Employee Benefits		
Social Security	89,217	
Medicare	20,810	
Life Insurance	10,149	
Medical Insurance	277,205	
Dental Insurance	21,691	
Retirement Contributions	<u>157,585</u>	
		576,657

(Continued)

WASHINGTON COUNTY EMERGENCY COMMUNICATION DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

OPERATING EXPENSES (CONTINUED)

Contracted Services

Advertising	429
Audit Services	4,800
Administrative Fees	37,656
Contracts with Private Agencies	108,046
Janitorial	119
Language Line	1,091
Legal Services	500
Maintenance Agreements	64,415
NCIC Expenses	7,445
Pest Control	640
Maintenance and Repairs - Office Equipment	3,774
Maintenance and Repairs - Communications Equipment	1,179
Maintenance and Repairs - Building and Facilities	2,207
Maintenance and Repairs - Vehicles	5,541

237,842

Supplies/Materials

Small Equipment Purchases	5,694
Office Supplies	12,149
Postage	1,125
Uniforms and Shirts	3,951
Utilities - Electric	17,656
Utilities - Gas	2,449
Utilities - Water	3,142
Utilities - Phones	19,362

65,528

Other Charges

Board Meeting Expenses	1,428
Insurance - Workers Compensation	7,945
Insurance - Liability	3,412
Insurance - Building and Contents	5,955
Insurance - Vehicles	1,161
Dues and Membership	1,477
Legal Notices	280
Premiums on Surety Bonds	2,902
Service Awards	1,792
Training Expenses	1,627
Travel Expenses	18,415
Internet Charges	2,169

48,563

(Continued)

WASHINGTON COUNTY EMERGENCY COMMUNICATION DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

OPERATING EXPENSES (CONTINUED)

Total Operating Expenses	<u>2,443,899</u>
OPERATING LOSS BEFORE DEPRECIATION	(816,218)
LESS: DEPRECIATION	<u>(125,593)</u>
OPERATING LOSS	(941,811)

NONOPERATING REVENUES (EXPENSES)

Contributions from Primary Government	546,246	
Contributions from Other Government Agencies	547,700	
State Emergency Communications Board -		
Grants and Reimbursements	41,107	
Gain on Disposal of Equipment	2,574	
Interest Income	<u>24,315</u>	
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>1,161,942</u>
INCREASE IN NET ASSETS		220,131
NET ASSETS, JULY 1, 2007		<u>1,454,811</u>
NET ASSETS, JUNE 30, 2008		<u><u>\$ 1,674,942</u></u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY EMERGENCY COMMUNICATION DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Surcharges	\$ 1,099,036	
Cash Received From Other Entities	496,852	
Cash Payments to Employees	(1,503,194)	
Cash Payments for Employee Benefits	(574,258)	
Cash Payments for Contracted Services	(239,066)	
Cash Payments for Supplies	(65,529)	
Cash Payments for Other Charges	<u>(48,563)</u>	
Net Cash Used for Operating Activities		(834,722)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Allocations from Primary Government	546,246	
Other Local Government Allocations	<u>588,807</u>	
Net Cash Provided by Noncapital Financing Activities		1,135,053

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of Capital Assets	(185,890)	
Proceeds from Sale of Property	<u>2,574</u>	
Net Cash Used for Capital Financing Activities		(183,316)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income Received	<u>24,315</u>	
Net Cash Provided by Investing Activities		<u>24,315</u>

NET INCREASE IN CASH	141,330
----------------------	---------

CASH AND CASH EQUIVALENTS AT JULY 1, 2007	<u>725,223</u>
---	----------------

CASH AND CASH EQUIVALENTS AT JUNE 30, 2008	<u><u>\$ 866,553</u></u>
--	--------------------------

(Continued)

WASHINGTON COUNTY EMERGENCY COMMUNICATION DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Loss		\$ (941,811)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities		
Depreciation	125,593	
(Increase) Decrease in Accounts Receivable	(31,794)	
(Increase) Decrease in Prepaid Expense	(1,224)	
Increase (Decrease) in Accrued Payroll	9,607	
Increase (Decrease) in Payroll Deductions	2,399	
Increase (Decrease) in Compensated Absences	<u>2,508</u>	
		<u>107,089</u>
NET CASH USED FOR OPERATING ACTIVITIES		<u><u>\$ (834,722)</u></u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Washington County Emergency Communications District (WCECD) is an emergency communications district under *Tennessee Code Annotated Section 7-86*. WCECD has established the number 911 as a primary emergency telephone number to provide emergency service quickly and efficiently.

The financial statements of WCECD have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. GASB Statement No. 20 gives proprietary funds the option of applying all FASB statements and interpretations issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. WCECD has not implemented FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

WCECD is a discretely presented Component Unit of Washington County, Tennessee. WCECD is a separate legal entity and is not fiscally dependent upon Washington County. However, the WCECD Board of Directors is appointed by the County Mayor and Washington County has the ability to significantly influence the programs, projects, activities and level of services provided by WCECD.

WCECD began operations December 1, 1986, and operates as an Enterprise Fund. The Board of Directors authorized the Sprint-United Telephone Company to begin charging the 911 surcharge to all customers in Washington County and the City of Johnson City on January 1, 1987. The surcharge is \$1.50 per residential subscriber and \$3.00 per line for commercial subscribers up to a maximum 100 lines. The lines actually belong to the phone company and are leased annually by 911.

Program revenue includes service charges, alarm, tape and other revenues, contributions, state and insurance reimbursements. Nonoperating revenues are identified in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*.

Basis of Accounting

WCECD utilizes the full accrual basis of accounting. Revenue is recognized in the period in which it is earned and measurable, likewise, expenses are recognized when incurred, if measurable.

Cash and Deposits

Cash on the statements of net assets and cash flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. The certificate of deposit: long-term has an original maturity of greater than three months. There are no investments at June 30, 2008.

Cash and Certificates of Deposit: Long-Term are all covered by FDIC insurance or by the state collateral pool.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Deposits (continued)

The District is exposed to concentration of credit risk by placing its deposits in financial institutions. The District has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

Compensated Absences

Regular full time employees accrue forty (40) hours of vacation time after one (1) year of continuous employment, eighty (80) hours after two (2) years of continuous employment, eight-eight (88) hours after five (5) years of continuous employment, ninety-six (96) hours after six (6) years of continuous employment, one hundred four (104) hours after seven (7) years of continuous employment, one hundred twelve (112) hours after eight (8) years of continuous employment, one hundred twenty (120) hours after nine (9) years of continuous employment, and one hundred twenty (120) hours thereafter of continuous employment. Regular full time employees who have completed fifteen (15) years of continuous employment will receive one hundred twenty-eight (128) hours of vacation time, one hundred and thirty-six (136) hours after sixteen (16) years of continuous employment, one hundred forty-four (144) hours after seventeen (17) years of continuous employment, one hundred fifty-two (152) hours after eighteen (18) years of continuous employment, one hundred sixty (160) hours after nineteen (19) years of continuous service.

Sick leave accrues at a rate of eight (8) hours per month. Sick leave days may accumulate up to 120 days, but are not compensated if they are unused. Payment for sick days accumulated in excess of 120 days or 960 hours are made at a rate of one day's pay for every two sick days earned, payable in December of each year, using November 30 as the year end for benefits.

Compensatory time may be earned at 1-1/2 times the regular rate of pay for time worked over forty (40) hours per work. Without the proper request, employees are paid this rate on their next paycheck.

Accounts Receivable

Accounts receivable at June 30, 2008 consist of various surcharges totaling \$117,821 and miscellaneous receivable of \$121. WCECD considers accounts receivable to be fully collectible; therefore, no allowance for uncollectibles has been recorded

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget

As illustrated on page 20, the actual depreciation expense exceeded the budget by \$43,093.

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the organization. The District does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of FDIC coverage.

INVESTMENTS – Investments are allowed for the District in accordance with *TCA Section 5-8-301* which includes the provision that counties are authorized to make direct investments in bonds, notes or treasury bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the County's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The County may make investments with longer maturities if various restrictions set out in the State law are followed. Counties are also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements. Repurchase agreements must be approved by the State Director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. Government or obligations guaranteed by the U.S. Government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least 2% below the market value of the securities on the day of purchase.

As of June 30, 2008, the District held no investments.

On October 3, 2008, the FDIC increased the federally insured coverage limit to \$250,000 at any one financial institution.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 3 - FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed using the straight-line method and a life of 10 years for the renovations, 7 years for the furniture, 5-7 years for the equipment, and 5 years for the vehicles.

Function and Activity

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 19,908	104,991	(124,899)	-
Total Capital Assets Not Being Depreciated	19,908	104,991	(124,899)	-
Capital Assets, Being Depreciated:				
Building Improvements	355,856	142,375	-	498,231
Vehicles	41,962	-	-	41,962
Office Equipment	907,804	62,079	(24,141)	945,742
Furniture and Fixtures	55,124	1,344	-	56,468
Total Capital Assets Being Depreciated	1,360,746	205,798	(24,141)	1,542,403
Less Accumulated Depreciation For:				
Building Improvements	(213,026)	(22,280)	-	(235,306)
Vehicles	(11,016)	(8,060)	-	(19,076)
Office Equipment	(671,540)	(93,746)	24,141	(741,145)
Furniture and Fixtures	(48,891)	(1,507)	-	(50,398)
Total Accumulated Depreciation	(944,473)	(125,593)	24,141	(1,045,925)
Total Capital Assets Being Depreciated, Net	416,273	80,205	-	496,478
Total Capital Assets, Net	\$ 436,181	185,196	(124,899)	496,478

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 4 - PENSION PLAN

Washington County 911

Plan Description

Employees of Washington County 911 are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 3437 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Washington County 911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Washington County 911 has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Washington County 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 11.48% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Washington County 911 is established and may be amended by the TCRS Board of Trustees.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 4 - PENSION PLAN (CONTINUED)

Annual Pension Cost

For the year ending June 30, 2008, Washington County 911's annual pension cost of \$156,481 to TCRS was equal to Washington County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Washington County 911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 13 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$156,481	100.00%	\$0.00
June 30, 2007	\$142,622	100.00%	\$0.00
June 30, 2006	\$118,465	100.00%	\$0.00

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.21% funded. The actuarial accrued liability for benefits was \$2.45 million, and the actuarial value of assets was \$1.92 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.53 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.27 million, and the ratio of the UAAL to the covered payroll was 42.04%.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 4 - PENSION PLAN (CONTINUED)

unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
July 01, 2007	\$1,918	\$2,452	\$534	78.21%	\$1,271	42.04%

NOTE 5 - CONTRACT

WCECD has a contract for telephone access lines from Embarq-United Telephone Southeast. The billing is reviewed annually based on the number of access lines in-service at calendar year end. The monthly rates for the 2008 fiscal year were \$7,847 from July 2007 to December 2007, and \$8,225 from January 2008 to June 2008, based on 61,869 and 65,249 access lines, respectively. This monthly base rate is influenced by various additional charges including database, switching fees, transfers and other services.

NOTE 6 - RISK MANAGEMENT ACTIVITIES

The WCECD carries insurance coverage for property, auto liability, workman's compensation, general liability and contents. There have been no significant changes from the previous year in the types of coverage. There have been no claims in the past three years which were not covered by insurance.

NOTE 7 - SURCHARGE DETAIL

Below are amounts that comprise the Emergency Telephone Service Charge Total:

	<u>Actual</u>
Sprint/Embarq	\$ 1,040,056
CLEC	<u>90,774</u>
	<u>\$ 1,130,830</u>

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2008

<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Balance July 1, 2007 (Receivable)</u>	<u>Receipts</u>	<u>Qualifying Expenses</u>	<u>Balance June 30, 2008</u>
N.A	Z-08211988 and Z-03016944	GIS Maintenance Grant	Tennessee Department of Commerce and Insurance	\$ -	10,000	10,000	-
TOTAL STATE AWARDS				<u>\$ 0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>

See Independent Auditors' Report.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
	Original Budget	Final Budget		
OPERATING REVENUE				
Emergency Telephone Service Charge	\$ 1,038,000	1,090,594	1,130,830	40,236
State - Shared Wireless Charge	213,000	235,000	243,814	8,814
State - Operations Charge	234,923	234,923	234,922	(1)
Other Revenue				
Tape Revenue	2,500	3,000	3,060	60
Alarm Revenue	16,000	13,000	13,325	325
Other	1,730	1,730	1,730	-
Total Operating Revenue	<u>1,506,153</u>	<u>1,578,247</u>	<u>1,627,681</u>	<u>49,434</u>
OPERATING EXPENSES				
Salaries and Wages	1,577,977	1,577,977	1,515,309	62,668
Employee Benefits	693,604	695,500	576,657	118,843
Contracted Services	240,389	254,318	237,842	16,476
Supplies/Materials	66,750	73,000	65,528	7,472
Other Charges	46,825	51,004	48,563	2,441
Total Operating Expenses	<u>2,625,545</u>	<u>2,651,799</u>	<u>2,443,899</u>	<u>207,900</u>
Operating Loss before Depreciation	(1,119,392)	(1,073,552)	(816,218)	257,334
Less: Depreciation	<u>5,000</u>	<u>82,500</u>	<u>125,593</u>	<u>(43,093)</u>
Operating Loss	<u>(1,124,392)</u>	<u>(1,156,052)</u>	<u>(941,811)</u>	<u>214,241</u>
NONOPERATING REVENUES (EXPENSES)				
Contributions from Primary Government	546,246	546,246	546,246	-
Contributions from Other Governments & Agencies	547,700	547,700	547,700	-
State Emergency Communications Board	10,000	41,106	41,107	1
Gain on Disposal of Equipment	-	-	2,574	2,574
Interest Income	20,446	21,000	24,315	3,315
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,124,392</u>	<u>1,156,052</u>	<u>1,161,942</u>	<u>5,890</u>
INCREASE IN NET ASSETS	<u>\$ 0</u>	<u>0</u>	<u>220,131</u>	<u>220,131</u>

See Independent Auditors' Report.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF INFORMATION REQUIRED BY STATE
For the Year Ended June 30, 2008

The following information is required by the Accounting and Financial Reporting Manual For Tennessee Emergency Communications Districts:

The Washington County Emergency Communications District has one (1) public safety answering point located at 401 Ashe Street, Johnson City, Tennessee.

The Washington County Emergency Communications District's system is CML E1000/ Sentinel Answering Positions. The 9-1-1 database is maintained by Embarq.

Director:

Bob McNeill
P.O. Box 448
401 Ashe Street
Johnson City, TN 37605-0448
Phone: (423) 928-9111
Fax: (423) 979-2324

Chairman:

Kyle Shell
1323 Shell Road
Jonesborough, TN 37659
Phone: (423) 926-1711
Fax: (423) 979-2324

See Independent Auditors' Report.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
ROSTER OF BOARD MEMBERS
For the Year Ended June 30, 2008

ROSTER OF BOARD MEMBERS

CHAIRMAN

Kyle Shell

VICE CHAIRMAN

Ed Graybeal

SECRETARY/TREASURER

John Lowry

George Jaynes

Greg Matherly

Harmon Mathes

Nes Levotch

Charles Snyder

Allen Taylor

ROSTER OF MANAGEMENT OFFICIALS

Bob McNeill

Director

Randall Lewis

Assistant Director

Janice Adams

Office Manager

See Independent Auditors' Report.

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
For the Year Ended June 30, 2008

Required Supplementary Information

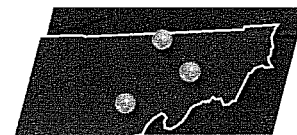
Schedule of Funding Progress for Washington County 911

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
July 01, 2007	\$1,918	\$2,452	\$534	78.21%	\$1,271	42.04%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most recent current year is presented.

See Independent Auditors' Report.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Washington County Emergency
Communications District
P. O. Box 448
Johnson City, Tennessee 37605

We have audited the financial statements of the Washington County Emergency Communications District, a component unit of Washington County, Tennessee as of and for the year ended June 30, 2008, and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County Emergency Communications District, a component unit of Washington County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the Washington County Emergency Communications District, a component unit of Washington County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Washington County Emergency Communications District, a component unit of Washington County, Tennessee's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Washington County Emergency Communications District, a component unit of Washington County, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by the Washington County Emergency Communications District, a component unit of Washington County, Tennessee's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Washington County Emergency Communications District, a component unit of Washington County, Tennessee's internal control.

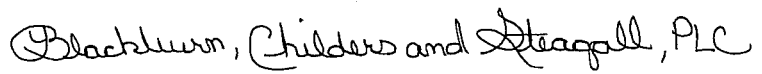
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County Emergency Communications District, a component unit of Washington County, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Washington County Emergency Communication District, a component unit of Washington County, Tennessee in a separate letter dated November 6, 2008.

This report is intended solely for the information and use of management of the Washington County Emergency Communication District, a component unit of Washington County, Tennessee, others within the organization and county officials and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS AND STEAGALL, PLC

November 6, 2008